

Internal Revenue Service

Department of the Treasury

District  
Director

Date: MAR 21 1965

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Gentlemen:

We have considered your application for tax exemption status under section 501(c)(6) of the Internal Revenue Code.

The evidence presented discloses that you are an association and that you adopted Bylaws [REDACTED]. The purposes for which the association is formed areas follows:

By the use of advertising of all types, including exhibits and other means to promote interest in new motor vehicles and automotive equipment handled by members of this association, and in the servicing of motor vehicles, to compile and distribute information regarding effective methods of advertising and business of members for the purpose of exchanging ideas with respect to the management of the advertising phase of the members' businesses.

You state on the application that "this organization was formed to 1) increase our advertising impact through a cooperative statewide effort, and 2) improve the visibility of [REDACTED] dealers in [REDACTED]."

Membership in your organization is restricted to active GMC truck dealers.

At present you have [REDACTED] members. Each dealer contributes \$[REDACTED] for each light duty truck purchased from [REDACTED]. As Article IV of your Bylaws states "no other dues shall be payable or collected from any member of this association" The income collected is expended on major statewide advertising activities. This is done to make media buys collectively that no member can afford individually.

Copies of print advertising in [REDACTED] show various [REDACTED] trucks and the names of the members of your organization listed as "Participating Dealers." Copies of texts of your radio commercials indicate that members of your organization can arrange for tag mention if they choose.

In correspondence dated [REDACTED], [REDACTED], resident of your organization stated "our aim is to promote our own business in [REDACTED] and to enhance public awareness of our existence."

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues not organized for profit, no part of the net earnings of which inures to the benefit of any private share or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having some common business interest, the purpose of which is to promote such common interest. Its activities should be directed towards the improvement of business conditions in one or more lines of business as distinguished from the performance of particular services for individual persons.

In Revenue Ruling 58-294, 1958-1 C.B. 244 an association was organized and operated for the purpose of promoting uniform business, advertising and fair trade practices in connection with the manufacture and sale of a certain patented product. Membership in the association was limited to any person, firm, or corporation licensed to manufacture and sell the specified product. It was held that since the association was engaged in furthering the business interests of the dealers in the particular patented product, rather than the improvement of business conditions of one or more lines of business, it does not qualify for exemption from Federal income tax as a business league under section 501(c)(6) of the Code.

In Revenue Ruling 68-182, 1968-1 C.B. 263 it is held that organizations promoting a single brand or product within a line of business do not qualify for exemption from Federal income tax under section 501(c)(6) of the Code.

In the case of National Muffler Dealers Association v. U.S., 440 U.S. 472 (1979) the court held that an association of a particular brand name of muffler dealers does not qualify for exemption because the association is not engaged in the improvement of business conditions of a line of business.

As your organization is organized and operated to further the business interests of [REDACTED] dealers in [REDACTED] rather than the improvement of business conditions of one or more lines of business you do not qualify for exemption under section 501(c)(6) of the Code.

( 2 )

You are required to file a taxable return Form 1120 or 1041 with the District Director of Internal Revenue Service. Please send the return to the Internal Revenue Service, P.O. Box 1680, General Post Office, Brooklyn, NY 11202.

If you do not agree with this determination, you may request a Conference with the Regional Director of Appeals by protesting in accordance with the enclosed instructions within 30 days.

Protests submitted which do not contain all the documentation stated in the instructions will be returned for completions.

If we do not hear from you within that time, this determination will become final.

Sincerely yours,

/S/

District Director

Enclosure: Publication 892